

TOWNSHIP OF ALBEE  
SAGINAW COUNTY, MICHIGAN

REPORT ON FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005

# AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <i>Albee</i>	County <i>Tahleah</i>
Audit Date <i>3/31/05</i>	Opinion Date <i>5/18/05</i>	Date Accountant Report Submitted to State: <i>6/7/05</i>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

## We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal financial assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGR).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name) <i>Barry E. Gaudette, CPA, PC</i>			
Street Address <i>1107 E. 9th Street</i>	City <i>Traverse City</i>	State <i>MI</i>	ZIP <i>49606</i>
Accountant Signature <i>Barry E. Gaudette, CPA</i>			

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INTRODUCTORY SECTION

TOWNSHIP OF ALBEE  
LIST OF ELECTED OFFICIALS  
MARCH 31, 2005

ELECTED OFFICIALS

Leon Turnwald	Supervisor
Thomas J. Gasser	Clerk
Ron Kulhanek	Treasurer
Gary Briggs	Trustee
Doris Wasmiller	Trustee

FINANCIAL SECTION

**Barry E. Gaudette, CPA, P.C.**

CERTIFIED PUBLIC ACCOUNTANT

1107 East Eighth Street  
Traverse City, Michigan 49686  
(231) 946-8930  
Fax (231) 946-1377

## INDEPENDENT AUDITORS' REPORT

Members of the Township Board  
Township of Albee  
Saginaw County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Township of Albee, Michigan, as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Albee, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Albee, Michigan, as of March 31, 2005, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Township of Albee  
Independent Auditors' Report  
Page Two

As described in Note V(C), the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments*, as amended and interpreted, as of March 31, 2005.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2005, on our consideration of the Township of Albee, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The financial statements referred to above do not include the Management Discussion and Analysis, which is required supplementary information and should be included in order to conform with accounting principles generally accepted in the United States of America.

*Bary E. Laufer, CPA, PC*

May 18, 2005



BASIC FINANCIAL STATEMENTS

Township of Albee  
Government-Wide Financial Statements  
Statement of Net Assets  
March 31, 2005

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 107,074
Receivables	24,059
Restricted cash	52,664
Prepaid expenses	6,440
Due from other funds	328
Capital assets (net of accumulated depreciation):	
Land and improvements	156,411
Buildings and improvements	617,446
Machinery and equipment	<u>22,792</u>
Total assets	<u>987,214</u>
<b>LIABILITIES</b>	
Accounts payable	9,406
Accrued expenses	1,422
Noncurrent liabilities:	
Due within one year	58,636
Due in more than one year	<u>554,375</u>
Total liabilities	<u>623,839</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	183,638
Unrestricted	<u>179,737</u>
Total net assets	<u>\$ 363,375</u>

See notes to financial statements

Township of Albee  
Government-Wide Financial Statements  
Statement of Activities  
For the Year Ended March 31, 2005

Functions /Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
Legislative General	\$ 38,147	\$	\$	\$
Government	117,891	44,143		
Public safety	87,587	12,150	61,004	500
Public works	162,800		90,340	
Health & welfare	597			
Culture & recreation	2,204	676		
Interest on long-term debt	<u>28,058</u>			
Total governmental activities	<u>\$ 437,284</u>	<u>\$ 56,969</u>	<u>\$ 151,344</u>	<u>\$ 500</u>

General revenues:  
Property taxes  
State aid  
Interest earnings  
Miscellaneous

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

See notes to financial statements

Net (Expense)  
Revenue and  
Changes in  
Net Assets

Governmental  
Activities

\$ ( 38,147)

( 73,748)

( 13,933)

( 72,460)

( 597)

( 1,528)

( 28,058)

( 228,471)

64,163

160,885

819

1,198

227,065

( 1,406)

364,781

\$ 363,375

Township of Albee  
Balance Sheet  
Governmental Funds  
March 31, 2005

	<u>General</u>	<u>Debt Service</u>	<u>Refuse Collection</u>	<u>Fire Station</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 27,445	\$	\$ 71,037	\$ 8,592
Receivables	4,775		11,742	7,542
Restricted cash	52,664			
Prepaid expenses	6,440			
Due from other funds	328			
Total assets	<u>\$ 91,652</u>	<u>\$</u>	<u>\$ 82,779</u>	<u>\$16,134</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 3,670	\$	\$ 5,736	\$
Accrued liabilities	1,422			
Total liabilities	<u>5,092</u>		<u>5,736</u>	
Fund balances:				
Reserved for:				
Community Center	52,664			
Prepaid expenses	6,440			
Unreserved, reported in:				
General fund	27,456			
Refuse collection			77,043	
Fire station				16,134
Total fund balances	<u>86,560</u>		<u>77,043</u>	<u>16,134</u>
Total Liabilities and Fund Balances	<u>\$ 91,652</u>	<u>\$</u>	<u>\$ 82,779</u>	<u>\$16,134</u>

See notes to financial statements

**Total  
Governmental  
Funds**

---

\$ 107,074  
24,059  
52,664  
6,440

---

328

\$ 190,565

\$ 9,406  
1,422

---

10,828

52,664  
6,440

27,456  
77,043  
16,134

---

179,737

\$ 190,737

Township of Albee  
Reconciliation of the Governmental Funds  
Balance Sheet  
With the Statement of Net Assets  
March 31, 2005

Amounts reported for governmental activities in the  
statement of net assets are different because:

Total Fund Balance - Governmental Funds	\$ 179,737
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Capital assets used in governmental activities  
are not financial resources and therefore are  
not reported as assets in governmental funds:

Cost of capital assets	1,134,331
Accumulated depreciation	( 337,682)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>( 613,011)</u>
--	-------------------

Total Net Assets - Governmental Activities	<u>\$ 363,375</u>
--	-------------------

See notes to financial statements

Township of Albee  
Statement of Revenues, Expenditures and Changes  
In Fund Balance  
Governmental Funds  
For the Year Ended March 31, 2005

	<u>General</u>	<u>Debt Service</u>	<u>Refuse Collection</u>	<u>Fire Station</u>
<b>REVENUES</b>				
Taxes & adm. fees	\$ 64,163	\$	\$	\$ 61,004
Licenses & permits	12,150			
Federal grant	500			
State aid	160,885			
Charges for services	1,747		90,340	
Sale of assets	350			
Interest earnings	488		331	
Rents	40,732			
Refunds	1,990			
Miscellaneous	1,198			
Total revenues	<u>284,203</u>	<u></u>	<u>90,671</u>	<u>61,004</u>
<b>EXPENDITURES</b>				
Current:				
Legislative	38,147			
General government	104,118			
Public safety	57,751			34
Public works	86,871		75,929	
Health & welfare	597			
Culture & recreation	2,204			
Debt service:				
Principal		59,082		
Interest		28,058		
Total expenditures	<u>289,688</u>	<u>87,140</u>	<u>75,929</u>	<u>34</u>
Excess (deficiency) of revenues over (under) expenditures	( 5,485)	( 87,140)	14,742	60,970
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in(out)	<u>( 3,013)</u>	<u>87,140</u>	<u>(30,807)</u>	<u>( 53,320)</u>
Net changes in fund balances	( 8,498)		(16,065)	7,650
Fund balances-beg.	<u>95,058</u>	<u></u>	<u>93,108</u>	<u>8,484</u>
Fund balances-end.	<u>\$ 86,560</u>	<u>\$</u>	<u>\$ 77,043</u>	<u>\$ 16,134</u>

See notes to financial statements



**Total  
Governmental  
Funds**

\$ 125,167  
 12,150  
 500  
 160,885  
 92,087  
 350  
 819  
 40,732  
 1,990  
1,198  
435,878

38,147  
 104,118  
 57,785  
 162,800  
 597  
 2,204  
 59,082  
28,058  
452,791

( 16,913)

                      
 ( 16,913)  
196,650  
\$ 179,737

Township of Albee  
Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balance of Governmental Funds  
To the Statement of Activities  
For the Year Ended March 31, 2005

Amounts reported for governmental activities in the  
statement of activities are different because:

Total net change in fund balances - total governmental funds	\$( 16,913)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Since there were not any capital outlays, this is the depreciation in the current period.	( 43,575)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long- term debt and related items.	<u>59,082</u>
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Change in net assets of governmental activities	<u><u>\$( 1,406)</u></u>
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See notes to financial statements

Township of Albee  
Statement of Fiduciary Funds  
Fiduciary Funds  
March 31, 2005

	<u>Tax Collection Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ <u>328</u>
Total assets	<u>328</u>
<b>LIABILITIES</b>	
Due to other funds	<u>328</u>
<b>NET ASSETS</b>	
Held in trust for other purposes	<u>\$</u>

See notes to financial statements

Township of Albee  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
For the Year Ended March 31, 2005

	<u>Tax Collection Fund</u>
<b>ADDITIONS</b>	
Property tax collections, special assessments and fees	<u>\$1,452,627</u>
Total additions	<u>1,452,627</u>
<b>DEDUCTIONS</b>	
Payments to general fund	64,162
Payments to garbage fund	90,340
Payments to fire station fund	59,528
Payments to other governmental units	<u>1,238,597</u>
Total deductions	<u>1,452,627</u>
Changes in net assets	
Net assets - beginning	<u>                    </u>
Net assets - ending	<u>\$                    </u>

See notes to financial statements

**Township of Albee**  
**Notes to the Financial Statements**  
**March 31, 2005**

**I. Summary of significant accounting policies**

The financial statements of the Township of Albee (the Township) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

**A. Reporting entity**

The Township is governed by an elected five-member board. The accompanying financial statements present the Township's operations for which the government is considered to be financially accountable. The Township has no component units and is not responsible for any jointly governed organizations.

**B. Government-wide financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from the goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Township of Albee  
Notes to the Financial Statements  
March 31, 2005

I. Summary of significant accounting policies (continued)

C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when a payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township property tax is levied each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31st. Real property taxes not collected as of March 1st are turned over to Saginaw County, which advances the Township 100% for the delinquent taxes.

The 2003 taxable valuation of the Township totaled \$46,839,908, on which ad valorem taxes levied consisted of .9279 mills for

Township of Albee  
Notes to the Financial Statements  
March 31, 2005

I. Summary of significant accounting policies (continued)

C. Measurement focus, basis of accounting and basis of presentation (continued)

Township operating purposes. This amount is recognized in the General Fund as current tax revenue as well as administrative fees of \$14,048 to collect the taxes and applicable interest.

The Township reports the following major governmental funds:

The *general fund* is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *refuse collection fund* is used to account for the proceeds of proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The *fire station fund* is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The

The Township reports the following fiduciary fund:

The *current tax collection fund* is used to account for resources held by the Township in a purely custodial capacity. Money in this fund is from current tax and special assessment collections. Timely distribution to the appropriate fund and local unit must be made in accordance with Section 43 of the General Property Tax Act.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

**Township of Albee**  
**Notes to the Financial Statements**  
**March 31, 2005**

**I. Summary of significant accounting policies (continued)**

**C. Measurement focus, basis of accounting and basis of presentation (continued)**

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

The Township did not have any proprietary funds.

When both restricted and unrestricted resources are available for use, it is the government's policy to use unrestricted sources first, then unrestricted resources as they are needed.

**D. Assets, liabilities, and net assets or equity**

**1. Deposits and investments**

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Township to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The Township is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.



Township of Albee  
Notes to the Financial Statements  
March 31, 2005

I. Summary of significant accounting policies (continued)

D. Assets, Liabilities and Net Assets (Continued)

2. *Short-term interfund receivables/payable*

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet in the governmental fund financial statements.

3. *Receivables and payables*

All trade and property tax receivables are shown net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

4. *Restricted assets*

Certain resources of the Township's general fund set aside for the repayment of Community Center loans, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable loan covenants.

5. *Capital assets*

Capital assets, which include property, plant, and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded as historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Township of Albee  
Notes to the Financial Statements  
March 31, 2005

**I. Summary of significant accounting policies (continued)**

**D. Assets, liabilities and net assets or equity (continued)**

**5. Capital assets (continued)**

Property and equipment of the Township is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building and improvements	40
Machinery and equipment	5

**6. Long-term obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

In the fund financial statements, governmental fund types, recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**7. Fund equity**

In the fund financial statements, governmental funds report the reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**8. Comparative data/reclassifications**

If the Township had an individual enterprise fund, comparative total data for the prior year would have been presented only in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Township of Albee  
Notes to the Financial Statements  
March 31, 2005

II. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$43,575 difference are as follows:

Capital outlay	\$ -0-
Depreciation expense	<u>( 43,575)</u>
Net adjustment to increase(decrease) <i>net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities</i>	<u>\$ ( 43,575)</u>

III. Stewardship, compliance, and accountability

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Supervisor submits to the Township Board a proposed budget for the fiscal year commencing on April 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget and actual - GAAP basis - general funds.

**Township of Albee**  
**Notes to the Financial Statements**  
**March 31, 2005**

**III. Stewardship, compliance and accountability (continued)**

**A. Budgetary information (continued)**

2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally adopted by the Township Board as a resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated.
4. The Supervisor is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund.
6. The budget as presented, has not been amended. Supplemental appropriations were made during the year with the last one approved prior to April 1st.

**B. Excess of expenditures over appropriations**

For the year ended March 31, 2005, expenditures exceeded appropriations in the activities of the township board, public safety, roads and parks (the legal level of budgetary control) of the general fund by \$5,797, \$2,642, \$16,517 and \$704, respectively. These overexpenditures were funded by the available fund balance in the general fund.

**IV. Detailed notes on all funds**

**A. Deposits and investments**

At year-end, the carrying amount of the Township's deposits were \$160,066 (includes \$328 in the Tax Collection Fund) and the bank balance was \$163,326, of which \$163,326 was covered by federal depository insurance.

**Township of Albee**  
**Notes to the Financial Statements**  
**March 31, 2005**

**IV. Detailed notes on all funds (continued)**

**B. Receivables**

The Township is owed delinquent property taxes from the County of Saginaw in the amount of \$4,774.92. The County also owes the delinquent special assessments of \$7,542.36 to the Township for the Fire Station Fund and collection fees of \$11,742.29 for the Refuse Collection Fund.

**C. Capital assets**

Capital asset activity for the year ended March 31, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land & improvements	\$ 156,411	\$ _____	\$ _____	\$ 156,411
Capital assets, being depreciated:				
Buildings & improvements:				
Community center	550,900			550,900
Fire station	280,392			280,392
Machinery & equipment:				
Office	5,328			5,328
Parks	25,091			25,091
Fire	113,960			113,960
Township hall	1,634			1,634
Other	615			615
Total capital assets being depreciated	<u>977,920</u>	<u>_____</u>	<u>_____</u>	<u>977,920</u>
Less accumulated depreciation for:				
Buildings & improvements:				
Community center	(179,043)	( 13,773)		(192,816)
Fire station	( 14,020)	( 7,010)		( 21,030)
Machinery & equipment:				
Office	( 5,328)			( 5,328)
Parks	( 25,091)			( 25,091)
Fire	( 68,376)	( 22,792)		( 91,168)
Township hall	( 1,634)			( 1,634)
Other	( 615)			( 615)
Total accumulated depreciation	<u>(294,107)</u>	<u>( 43,575)</u>	<u>_____</u>	<u>(337,682)</u>

Township of Albee  
Notes to the Financial Statements  
March 31, 2005

IV. Detailed notes on all funds (continued)

C. Capital assets (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities (continued):</b>				
Total capital assets, being depreciated, net	683,813	( 43,575)		640,238
Governmental activities capital assets, net	<u>\$ 840,224</u>	<u>\$ ( 43,575)</u>	<u>\$</u>	<u>\$ 796,649</u>

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities:	
General government	\$ 13,773
Public safety	<u>29,802</u>
Total depreciation expense- governmental activities	<u>\$ 43,575</u>

D. Interfund receivables, payables, and transfers

Interfund transfers:

	<u>Transfer In:</u>			
	<u>Debt</u>			
Transfer out:	<u>Fund</u>	<u>Service</u>	<u>Other</u>	<u>Total</u>
General fund	\$	\$33,820	\$	\$ 33,820
Refuse collection fund	30,807			30,807
Fire station fund		53,320		53,320
Total transfers out	<u>\$30,807</u>	<u>\$87,140</u>	<u>\$</u>	<u>\$117,947</u>

The composition of interfund balances as of March 31, 2005, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Tax collection	<u>\$ 328</u>

Township of Albee  
Notes to the Financial Statements  
March 31, 2005

IV. Detailed notes on all funds (continued)

F. Long-term debt

Notes Payable

The Township has borrowed funds to provide to provide funds for the acquisition and construction of major capital facilities. Notes payable issued for governmental activities and are recorded in the general fund and the fire station fund. The original amount of the loans issued in prior years was \$780,392.32.

General obligation notes are direct obligations and pledge the full faith and credit of the government. These notes were issued for between a 5 to 22 year payment schedule. The principal maturing each year varies. General obligation notes currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities	4.65%	\$ <u>613,011</u>

Annual debt service requirements to maturity for general obligation notes are as follows:

<u>Year Ending March 31</u>	<u>Community Center Building</u>		<u>Fire Station Building</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 13,595	\$ 20,225	\$ 45,041	\$ 8,279
2007	14,226	19,594	47,135	6,185
2008	14,888	18,932	49,327	3,993
2009	15,580	18,240	36,545	1,699
2010	16,305	17,515		
2011	17,063	16,757		
2012-2016	97,980	71,120		
2017-2021	122,979	46,121		
2022-2025	<u>122,347</u>	<u>14,662</u>		
Total	<u>\$ 434,963</u>	<u>\$243,166</u>	<u>\$178,048</u>	<u>\$ 20,156</u>

Township of Albee  
Notes to the Financial Statements  
March 31, 2005

IV. Detailed notes on all funds (continued)

F. Long-term debt (continued)

Changes in long-term liabilities

Long-term liability activity for the year ended March 31, 2005, was as follows:

	<u>Beginning Balance</u>	<u>(Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>				
Notes payable:				
Community Center	\$ 460,000	\$( 25,037)	\$ 434,963	\$ 13,595
Fire Station	<u>212,093</u>	<u>( 34,045)</u>	<u>178,048</u>	<u>45,041</u>
	<u>\$ 672,093</u>	<u>\$( 59,082)</u>	<u>\$ 613,011</u>	<u>\$ 58,636</u>

There were no additions to loans during the current fiscal year.

G. Restricted assets

The Township originally had a General Obligation Bond with the Federal Government for the repayment of the bonds used for the construction of the Community Center Building on April 1, 1991. Terms of the bond required that money be reserved for the repayment of the bonds.

On April 7, 2003, the bonds were remortgaged with Montrose State Bank.

The Township has in checking, savings and certificate of deposits a total of \$52,664 as of March 31, 2005.

V. Other information

A. Risk management

The Township is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; and employee injuries (workers compensation).

The Township has purchased commercial insurance for all risks of loss. Settlements claims have not exceeded coverages for each of the past three fiscal years.



Township of Albee  
Notes to the Financial Statements  
March 31, 2005

V. Other information (continued)

B. Pension plan

The Township does not provide a pension plan for its employees.

C. Implementation of new accounting standard

As of and for the year ended March 31, 2005, the Township implemented GASB Statement Number 34 - *Basic Financial Statements - and Management's Discussion and Analysis - State and Local Governments*. The more significant changes required by the standard include a Management Discussion and Analysis; government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting; fund financial statements, consisting of a series of statements that focus on a governments' major funds; and schedules to reconcile the fund financial statements to the government-wide financial statements.

Required Supplementary Information

Township of Albee  
General Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
-Budget and Actual  
For the Year Ended March 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
<b>REVENUES</b>				
Property taxes and related fees	\$ 61,852	\$ 61,852	\$ 64,163	\$ 2,311
Licenses & permits	12,000	12,000	12,150	150
Federal grant			500	500
State aid	150,000	150,000	160,885	10,885
Charges for services	3,072	3,072	1,747	( 1,325)
Sale of assets	500	500	350	( 150)
Interest earnings			488	488
Rents	45,820	45,820	40,732	( 5,088)
Refunds	1,000	1,000	1,990	990
Miscellaneous	3,498	3,498	1,198	( 2,300)
Total revenues	<u>277,742</u>	<u>277,742</u>	<u>284,203</u>	<u>6,461</u>
<b>EXPENDITURES</b>				
Current:				
Legislative:				
Township board	<u>32,350</u>	<u>32,350</u>	<u>38,147</u>	<u>( 5,797)</u>
General government:				
Supervisor	9,000	9,000	9,624	( 624)
Elections	3,000	3,000	3,080	( 80)
Clerk	12,000	12,000	17,182	( 5,182)
Board of review	675	675	675	
Assessor	13,600	13,600	14,090	( 490)
Treasurer	16,950	16,950	17,065	( 115)
Board of appeals	180	180	180	
Twp. hall & grounds	24,186	24,186	34,935	( 10,749)
Community center	33,600	33,600	6,622	26,978
Cemetery	1,500	1,500	665	835
Other-unclassified	<u>2,000</u>	<u>2,000</u>		<u>2,000</u>
Total general government	<u>116,691</u>	<u>116,691</u>	<u>104,118</u>	<u>12,573</u>

Township of Albee  
General Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
-Budget and Actual  
For the Year Ended March 31, 2005  
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>with</u> <u>Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
<b>EXPENDITURES</b>				
<b>(CONTINUED):</b>				
Current:				
Public safety:				
Police-contracted	7,299	7,299	6,300	999
Fire department	27,710	27,710	29,588	( 1,878)
Planning & zoning	10,100	10,100	2,445	7,655
Building inspection	10,000	10,000	19,418	( 9,418)
Total public safety	<u>55,109</u>	<u>55,109</u>	<u>57,751</u>	<u>( 2,642)</u>
Public works:				
Roads	67,441	67,441	83,958	( 16,517)
Street lights	<u>3,000</u>	<u>3,000</u>	<u>2,913</u>	<u>87</u>
Total public works	<u>70,441</u>	<u>70,441</u>	<u>86,871</u>	<u>( 16,430)</u>
Health & welfare:				
Health center	<u>700</u>	<u>700</u>	<u>597</u>	<u>103</u>
Culture & recreation	<u>1,500</u>	<u>1,500</u>	<u>2,204</u>	<u>( 704)</u>
Total expenditures	<u>276,791</u>	<u>276,791</u>	<u>289,688</u>	<u>( 12,897)</u>
Excess of revenues over expenditures	<u>951</u>	<u>951</u>	<u>( 5,485)</u>	<u>( 6,436)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in			30,807	30,807
Transfer out	<u>(33,820)</u>	<u>( 33,820)</u>	<u>( 33,820)</u>	
Total other other financing sources and uses	<u>(33,820)</u>	<u>( 33,820)</u>	<u>( 3,013)</u>	<u>30,807</u>
Net change in fund balances	<u>(32,869)</u>	<u>( 32,869)</u>	<u>( 8,498)</u>	<u>24,371</u>

Township of Albee  
General Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
-Budget and Actual  
For the Year Ended March 31, 2005  
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u>
				<u>Final</u>
				<u>Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Fund balances- beginning	<u>95,058</u>	<u>95,058</u>	<u>95,058</u>	<u>          </u>
Fund balances-ending	<u>\$ 62,189</u>	<u>\$ 62,189</u>	<u>\$ 86,560</u>	<u>\$ 24,371</u>

See notes to financial statements

Township of Albee  
Refuse Collection Fund  
Schedule of Revenues, Expenditures and Changes  
in Fund Balances - Budget and Actual  
For the Year Ended March 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u> <u>Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
<b>REVENUES</b>				
Charges for services	\$ 75,000	\$ 75,000	\$ 90,340	\$ 15,340
Interest earnings			331	331
Total revenues	<u>75,000</u>	<u>75,000</u>	<u>90,671</u>	<u>15,671</u>
<b>EXPENDITURES</b>				
Public works:				
Refuse collection	<u>75,000</u>	<u>75,000</u>	<u>75,929</u>	<u>( 929)</u>
Total expenditures	<u>75,000</u>	<u>75,000</u>	<u>75,929</u>	<u>( 929)</u>
Excess (deficiency) of revenues over (under) expenditures			14,742	14,742
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out:				
General fund			(30,807)	(30,807)
Net change in fund balances			(16,065)	(16,065)
Fund balances- beginning			93,108	93,108
Fund balances- ending	<u>\$</u>	<u>\$</u>	<u>\$ 77,043</u>	<u>\$ 77,043</u>

See notes to financial statements

Township of Albee  
Fire Station Fund  
Schedule of Revenues, Expenditures and Changes  
in Fund Balances - Budget and Actual  
For the Year Ended March 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u> <u>Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
<b>REVENUES</b>				
Taxes - special assessments	\$ 59,290	\$ 59,290	\$ 61,004	\$ 1,714
Total revenues	59,290	59,290	61,004	1,714
<b>EXPENDITURES</b>				
Public safety			34	( 34)
Total expenditures	53,320	53,320	53,354	( 34)
Excess (deficiency) of revenues over (under) expenditures	59,290	59,290	60,970	75,712
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out: Debt service fund	( 53,320)	( 53,320)	(53,320)	
Net change in fund balances	5,970	5,970	7,650	1,680
Fund balances- beginning			8,484	8,484
Fund balances- ending	\$ 5,970	\$ 5,970	\$ 16,134	\$ 10,164

See notes to financial statements

**Barry E. Gaudette, CPA, P.C.**

CERTIFIED PUBLIC ACCOUNTANT

1107 East Eighth Street  
Traverse City, Michigan 49686  
(231) 946-8930  
Fax (231) 946-1377

Members of the Township Board  
Township of Albee  
Saginaw County, Michigan

**Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards**

We have audited the financial statements of the governmental activities and each major fund of Township of Albee, Saginaw County, Michigan, as of and for the year ended March 31, 2005, which collectively comprise the Township of Albee, Michigan's basic financial statements and have issued our report thereon dated May 18, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Township of Albee's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards  
Township of Albee  
Page Two

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Township of Albee's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Township Board and the Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

*Barry E. Sandell, CPA, PC*

May 18, 2005

**Barry E. Gaudette, CPA, P.C.**  
CERTIFIED PUBLIC ACCOUNTANT

1107 East Eighth Street  
Traverse City, Michigan 49686  
(231) 946-8930  
Fax (231) 946-1377

Members of the Township Board  
Township of Albee  
Saginaw County, Michigan

Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

It was not necessary to make any comments or recommendations.

This letter supplements the information in the Financial Statements and Notes to Financial Statements. It is intended solely for the use of management and the Township Board and should not be used for any other purpose.

*Barry E. Gaudette, CPA, PC*

May 18, 2005